



Summary of President's FY 2004 Budget Submission

Key Points:

Economic Forecasts:

- The President's economic forecast is consistent with the forecast of the non-partisan Congressional Budget Office and the consensus estimates of private economists (Blue Chip forecast).
- Even though the President is in line with other economic forecasts, as an acknowledgement of the uncertainty of such forecasts, the President purposefully reduced revenue projections by \$25 billion in FY 2003 and \$15 billion in FY 2004.

Tax Relief:

- The President's Economic Growth Package calls for reducing revenue by \$111 billion in FY 2004, \$359 billion over the next five years, and \$615 billion over the next ten years.
- Over the next five years, the President proposes total new tax relief of \$388 billion. In addition, the President's proposal to repeal the sunset of current tax relief proposals (and thereby avoid a tax increase) will reduce the revenue baseline by an additional \$53 billion.
- Of the reported \$1.3 trillion in tax cuts contained in the President's Budget over the next ten years, fully \$588 billion or 45% is the result of the President proposing to prevent future tax increases from going into effect when the provisions of previous tax cuts expire.

Spending:

- The President proposes to increase discretionary spending by 4.0% for FY 2004. This increase is comprised of an increase of 4.2% for defense, 5.5% for homeland security (after accounting for offsets from user fees), and 3.8% for non-defense.
- The President proposes to grow total discretionary spending and in particular, non-defense discretionary at a rate quicker than the growth in the economy or inflation.
- Over the next five years the President's proposed discretionary budget will increase outlays by \$218 billion over the current baseline.
- The President also proposes to add an additional \$206 billion in mandatory spending over and above the current baseline over the next five years.

Spending Versus Tax Relief:

- Over the next five years, for every additional \$1.00 the President proposes to leave in the hands of taxpayers (\$388 billion in new tax relief), the President proposes to increase the size of government by spending an additional \$1.09 (\$424 billion in new spending). In other words, the President's proposes more new spending than he proposes more new tax relief.

Deficit:

- Under the Administration's baseline estimates for spending and tax revenue, the Budget would show a small unified surplus in 2006, but would not show an on-budget surplus (surplus excluding Social Security) during the entire five-year budget window.

Economic Forecasts: OMB, CBO, and Blue Chip

		2003	2004	Average 2003-2008
This table compares the major economic forecasts of the Administration, CBO, and the Blue Chip Consensus. Administration estimates are clearly in line with other forecasts.	REAL GDP <i>(Yr Over Yr)</i>			
	Administration	2.9%	3.6%	3.3%
	CBO	2.5%	3.6%	3.2%
	Blue Chip	2.8%	3.6%	3.2%
	CONSUMER PRICE INDEX <i>(Yr Over Yr)</i>			
	Administration	2.2%	2.1%	2.2%
	CBO	2.3%	2.2%	2.4%
	Blue Chip	2.2%	2.2%	2.4%
	UNEMPLOYMENT RATE <i>(Annual Average)</i>			
	Administration	5.7%	5.5%	5.3%
	CBO	5.9%	5.7%	5.5%
	Blue Chip	5.9%	5.5%	5.3%
	INTEREST RATE <i>(10-Yr Treasury)</i>			
	Administration	4.2%	5.0%	5.2%
	CBO	4.4%	5.2%	5.4%
	Blue Chip	4.4%	5.2%	5.4%

CBO vs. OMB Baselines:

NOTE: CBO Baseline assumes \$751 Billion in FY 03 Discretionary Spending

	<i>In Billions of Dollars</i>			
	2003	2004	Total 2004-2008	
This table compares the baselines prepared by the Administration and CBO. A baseline is the budget projections based on simply continuing current budget policies under existing law, i.e. spending only grows at inflation and tax cuts are sunset in accordance with existing law.	REVENUE			
	Administration	1,867	2,031	11,681
	CBO	1,922	2,054	11,802
	DISCRETIONARY OUTLAYS			
	Administration	785	795	4,138
	CBO	792	817	4,257
	MANDATORY OUTLAYS			
	Administration	1,185	1,221	6,660
	CBO	1,172	1,218	6,684
	NET INTEREST			
	Administration	161	173	996
	CBO	157	165	1,004
	ON-BUDGET DEFICIT			
	Administration	-425	-330	-1,170
	CBO	-361	-319	-1,206
	OFF-BUDGET SURPLUS			
	Administration	160	172	1,056
	CBO	162	174	1,063

President's Proposed Changes to the Administration Baseline:

	<i>In Billions of Dollars</i>			
	2003	2004	Total 2004-2008	
This table shows the effects of the President's proposed policies to the Administration's baseline.	REVENUE			
	Proposed Change	-31	-109	-441
	DISCRETIONARY OUTLAYS			
	Proposed Change	+6	+24	+218
	MANDATORY OUTLAYS			
	Proposed Change	+2	+13	+206
	NET INTEREST			
	Proposed Change	0	+4	+105
	ON-BUDGET DEFICIT			
	Proposed Increase	+43	+152	+970
	OFF-BUDGET SURPLUS			
	Proposed Change	+3	+3	0

President's Discretionary Budget Authority:

In Billions of Dollars

	2002 Enacted	2003	2004	Percent Change '03 to '04	Percent Change '02 to '04
Homeland Security	13	27	28	5.5%	122%
Defense	328	365	380	4.2%	15.9%
Non-Defense	350	360	374	3.8%	6.9%
TOTAL	691	752	782	4.0%	13.2%

President's Mandatory Proposals:

In Millions of Dollars

	2004	Total	
		2004–2008	2004–2013
Medicare Modernization:	6,000	130,000	400,000
Economic Growth Plan:	3,074	20,466	27,239
<i>Personal Re-employment Accounts</i>	2,000	2,000	2,000
<i>Refundable Child Tax Credit</i>	1,074	18,466	25,239
Medicaid/State Children's Health Insurance Program (SCHIP):	3,412	9,786	-2,462
<i>Medicaid/SCHIP Reform</i>	3,258	8,944	-66
<i>Disability/New Freedom Initiatives</i>	180	993	1,338
<i>Medicaid Rebate Reform</i>	-384	-2,409	-6,421
<i>Other Medicaid Proposals</i>	359	2,257	2,687
Welfare Reform:	154	1,683	3,548
<i>Temporary Assistance for Needy Families Reauthorization</i>	147	1,441	3,069
<i>Child Support Enforcement: Increase Collections & Improve Program Effectiveness</i>	-61	2	221
<i>Child Welfare Program Option</i>	31	28	40
<i>Extend Abstinence Education</i>	37	212	218
Agriculture:	—	-1,635	-5,178
<i>Limit Conservation Security Program</i>	—	-1,597	-5,200
<i>Forest Service Recreation Fee Proposal</i>	—	-38	22
<i>School Lunch: Require Third-Party Verification of Income and Reinvest Program Savings</i>	—	—	—
Education: Teacher Loan Forgiveness:	178	384	696
Energy:	145	256	1,103
<i>Power Marketing Associations to Directly Fund Corps of Engineers' Operation and Maintenance Expenses</i>	145	756	1,603
<i>Increase BPA's Borrowing Authority</i>	—	700	700
<i>Arctic National Wildlife Refuge (ANWR), Lease Bonuses</i>	—	-1,200	-1,200
Homeland Security:	-823	-4,554	-13,346

<i>Extend Customs User Fees</i>	-1,398	-7,972	-18,939
<i>Vaccine Biodefense</i>	575	3,418	5,593
Interior:	9	61	368
<i>ANWR, Lease Bonuses:</i>			
<i>State of Alaska's share:</i>			
<i>Receipts</i>	—	-1,304	-1,588
<i>Expenditure</i>	—	1,304	1,588
<i>Federal share</i>	—	-104	-388
<i>Compacts of Free Association - financial assistance</i>	19	105	235
<i>Permanent Recreation Fee Authority</i>	—	136	587
<i>Correct trust accounting deficiencies in individual Indian money investments</i>	—	—	—
<i>Increase Indian Gaming Commission Fees¹</i>	—	16	41
<i>Bureau of Land Management Land Sale Authority:</i>			
<i>Receipts</i>	-10	-161	-444
<i>Expenditure</i>	—	69	337
Labor:	-10	2,370	17,206
<i>Reform Unemployment Insurance Administration</i>	—	2,430	17,336
<i>Reform Federal Employees Compensation Act (FECA)</i>	-10	-60	-130
<i>Refinance Black Lung Disability Trust Fund Debt:</i>			
<i>Black Lung Disability Trust Fund</i>	1,851	122	-1,913
<i>Interest Receipts on Repayable Advances</i>	-1,851	-122	1,913
Transportation: Federal-aid Highway Program: Increase Emergency Relief:	27	373	873
Treasury:	272	33,995	116,027
<i>Pay financial institutions for their services in lieu of providing compensating balances:</i>			
<i>Financial Agent Reimbursement Fund</i>	386	2,006	4,169
<i>Interest on Treasury Debt Securities</i>	-386	-2,643	-5,321
<i>Subtotal, compensating balances</i>	—	-637	-1,152
<i>Internal Revenue Service Collection Contractor Support</i>	2	536	1,266
<i>Move Asset Forfeiture Fund to the Department of Justice:</i>			
<i>Treasury Asset Forfeiture Fund</i>	-221	-1,105	-2,210
<i>Justice Asset Forfeiture Fund</i>	221	1,105	2,210
<i>Extend the Rum Carryover for Puerto Rico</i>	57	154	154
<i>Outlay Effects of Refundable Tax Credits:</i>			
<i>Child Credit</i>	—	—	20,781
<i>Earned Income Tax Credit</i>	—	—	3,744
<i>Education Credit</i>	213	3,152	3,626
<i>Health Credit</i>	—	30,790	87,608
<i>Subtotal, refundable tax credits</i>	213	33,942	115,759
Veterans Affairs:	-122	-1,764	-4,498
<i>Reverse Allen Case providing compensation for drug and alcohol abuse related disabilities</i>	-127	-1,783	-4,559
<i>Payment of full compensation to New Philippine Scouts and DIC survivors of Filipino veterans if they reside in the United States</i>	3	19	46
<i>Eliminate the "45 Day Rule" for Death Pension</i>	1	6	13

<i>Revision to Montgomery G.I. Bill to Provide for On-the-Job Training in Self-Employment</i>	*	2	4
<i>Retroactivity for Second Headstone or Marker Benefit</i>	5	13	13
<i>Allow states to receive a burial plot allowance for all veterans buried at no cost in state veterans cemeteries</i>	*	2	4
<i>Alternate Beneficiary to Claim National Service Life Insurance and Veterans Special Life Insurance Policy Proceeds</i>	—	15	17
<i>Amend the law to provide the same extension of time for using education benefits for members of the National Guard</i>	*	3	5
<i>Move Transitional Housing Program from a mandatory loan to a discretionary grant program</i>	-5	-40	-40
Federal Communications Commission (FCC):	—	2,815	-6,590
<i>Analog Spectrum Lease Fee</i>	—	-1,000	-2,530
<i>Extend Spectrum Auction Authority and Authorize Other Economic Mechanisms (Fees)</i>	—	3,815	-4,060
Federal Deposit Insurance Corporation: Merge Bank Insurance Fund and Savings Association Insurance Fund:	440	1,580	1,805
Office of Personnel Management (OPM):	3	9,245	31,347
<i>Postal Service Pension Proposal:</i>			
<i>On-budget</i>	2,658	14,858	36,719
<i>Off-budget</i>	-2,658	-5,685	-5,685
<i>Simplify computation of annuities under the Civil Service Retirement Service for part-time service</i>	3	72	313
Social Security Administration (SSA):	—	-964	-3,337
<i>Close Loophole that Allows Some Workers to Avoid Government Pension Offset</i>	—	-20	-90
<i>Reduce Improper Payments by Requiring Reporting of Non-Social Security Covered Pension Income</i>	—	-750	-2,180
<i>Compensation for 2000-01 Military Wage Credits:</i>			
<i>On-budget</i>	628	628	628
<i>Off-budget</i>	-628	-628	-628
<i>Supplemental Security Income Pre-Effectuation Reviews and Other Technical Adjustments</i>	—	-194	-1,062
Multi-Agency:			
<i>Spectrum Relocation Fund</i>	—	1,700	2,500
Indirect Impact of Other Proposals:			
<i>Medicare Program Management User Fee Effects on Supplemental Medical Insurance Premiums</i>	—	47	298
<i>Postal Service Pension Proposal Effect on Federal Financing Bank Revolving Fund</i>	5	46	86
<i>Enact FECA Surcharge</i>	—	-17	-24
Total, Mandatory Proposals	12,764	205,872	567,666

President's Revenue Proposals:

In Millions of Dollars

	2004	Total	
		2004–2008	2004–2013
Economic Growth Package:	-110,729	-359,454	-614,537
<i>Accelerate 10-percent individual income tax rate bracket expansion</i>	-7,782	-30,781	-47,194
<i>Accelerate reduction in individual income tax rates</i>	-35,693	-58,102	-58,102
<i>Accelerate marriage penalty relief</i>	-27,134	-54,786	-55,210
<i>Accelerate increase in child tax credit</i>	-5,060	-41,363	-53,306
<i>Eliminate the double taxation of corporate earnings</i>	-24,874	-140,232	-360,324
<i>Increase expensing for small business</i>	-1,652	-8,372	-14,583
<i>Provide minimum tax relief to individuals</i>	-8,534	-25,818	-25,818
Provide incentives for charitable giving:	-2,136	-9,410	-20,336
<i>Provide charitable contribution deduction for nonitemizers</i>	-1,358	-5,944	-12,571
<i>Permit tax-free withdrawals from IRAs for charitable contributions</i>	-437	-1,944	-4,076
<i>Expand and increase the enhanced charitable deduction for contributions of food inventory</i>	-54	-330	-872
<i>Reform excise tax based on investment income of private foundations</i>	-264	-998	-2,192
<i>Modify tax on unrelated business taxable income of charitable remainder trusts</i>	-3	-19	-51
<i>Modify basis adjustment to stock of S corporations contributing appreciated property</i>	-12	-72	-216
<i>Repeal the \$150 million limitation on qualified 501(c)(3) bonds</i>	-6	-43	-82
<i>Repeal restrictions on the use of qualified 501(c)(3) bonds for residential rental property</i>	-2	-60	-276
Strengthen and reform education:	-36	-1,169	-2,544
<i>Provide refundable tax credit for certain costs of attending a different school for pupils assigned to failing public schools</i>	-13	-168	-192
<i>Extend, increase and expand the above-the-line deduction for qualified out-of-pocket classroom expenses</i>	-23	-1,001	-2,352
Invest in health care:	-918	-16,972	-47,819
<i>Provide refundable tax credit for the purchase of health insurance</i>	-324	-3,210	-1,550
<i>Provide an above-the-line deduction for long-term care insurance premiums</i>	-112	-6,641	-28,255
<i>Allow up to \$500 in unused benefits in a health flexible spending arrangement to be carried forward to the next year</i>	-367	-3,342	-8,385
<i>Provide additional choice with regard to unused benefits in a health flexible spending arrangement</i>	-19	-188	-595
<i>Permanently extend and reform Archer MSAs</i>	-26	-1,777	-5,134
<i>Provide an additional personal exemption to home caregivers of family members</i>	-70	-1,811	-3,892
<i>Allow the orphan drug tax credit for certain pre-designation expenses</i>	—	-3	-8
Encourage telecommuting: Exclude from income the value of employer-provided computers, software and peripherals	-35	-249	-554

Increase housing opportunities: Provide tax credit for developers of affordable single-family housing	-7	-2,466	-16,133
Encourage saving: Establish Individual Development Accounts (IDAs)	—	-1,010	-1,347
Protect the environment:	-206	-1,449	-2,887
<i>Permanently extend expensing of brownfields remediation costs</i>	-185	-1,240	-2,356
<i>Exclude 50 percent of gains from the sale of property for conservation purposes</i>	-21	-209	-531
Increase energy production and promote energy conservation:	-775	-5,218	-7,982
<i>Extend and modify the tax credit for producing electricity from certain sources</i>	-264	-1,010	-1,492
<i>Provide tax credit for residential solar energy systems</i>	-7	-71	-71
<i>Modify treatment of nuclear decommissioning funds</i>	-251	-1,035	-2,260
<i>Provide tax credit for purchase of certain hybrid and fuel cell vehicles</i>	-154	-2,418	-3,202
<i>Provide tax credit for energy produced from landfill gas</i>	-28	-392	-707
<i>Provide tax credit for combined heat and power property</i>	-71	-292	-250
<i>Provide excise tax exemption (credit) for ethanol</i>	—	—	—
Promote trade: Implement free trade agreements with Chile and Singapore	-25	-316	-913
Improve tax administration:	273	2,385	6,626
<i>Implement IRS administrative reforms</i>	78	304	624
<i>Permit private collection agencies to engage in specific, limited activities to support IRS collection efforts</i>	46	476	1,008
<i>Combat abusive tax avoidance transactions</i>	45	428	1,007
<i>Limit related party interest deductions</i>	104	1,177	3,987
Reform unemployment insurance: Reform unemployment insurance administrative financing	—	-7,891	-13,401
Transportation: Deposit full amount of excise tax imposed on gasohol in the Highway Trust Fund	—	1,724	4,912
Indian Gaming: Increase Indian gaming activity fees	—	16	41
Simplify the Tax Laws:	10,308	13,220	-1,649
<i>Establish uniform definition of a qualifying child</i>	-43	-137	-211
<i>Simplify adoption tax provisions</i>	-36	-194	-429
<i>Expand tax-free savings opportunities</i>	10,572	14,820	2,002
<i>Consolidate employer-based savings accounts</i>	-185	-1,269	-3,011
Temporarily extend expiring provisions:	-3,407	-23,885	-21,643
<i>Combined work opportunity/welfare-to-work tax credit</i>	-54	-800	-873
<i>Minimum tax relief for individuals</i>	-260	-17,889	-17,889
<i>DC tax incentives</i>	-53	-232	-357
<i>Authority to issue Qualified Zone Academy Bonds</i>	-6	-174	-514
<i>Deduction for corporate donations of computer technology</i>	-74	-253	-253
<i>Net operating loss offset of 100 percent of AMTI</i>	-3,028	-5,957	-4,890
<i>IRS user fees</i>	68	155	155
<i>Abandoned mine reclamation fees</i>	—	1,265	2,978
Permanently extend expiring provisions:	-1,431	-29,104	-566,834
<i>Provisions expiring in 2010:</i>			
<i>Marginal individual income tax rate reductions</i>	—	—	-286,952
<i>Child tax credit</i>	—	—	-46,893
<i>Marriage penalty relief</i>	—	—	-20,654

<i>Education incentives</i>	-11	-132	-4,685
<i>Repeal of estate and generation-skipping transfer taxes, and modification of gift taxes</i>	-292	-5,697	-125,991
<i>Modifications of IRAs and pension plans</i>	—	—	-11,236
<i>Other incentives for families and children</i>	—	—	-2,029
<i>Other provisions:</i>			
<i>Research & Experimentation (R&E) tax credit</i>	-1,005	-22,890	-67,922
<i>Suspension of disallowance of certain deductions of mutual life insurance companies</i>	-123	-385	-472
Total budget proposals	-109,124	-441,248	-1,307,000